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UNDP: COUNTRY PROGRAMMES AND RELATED MATTERS

FIRST COUNTRY PROGRAMME FOR THE RUSSIAN FEDERATION*

Programme period	Actual resources programmed	$
1994-1996	Net IPF	2 238 000
	Estimated cost-sharing	2 500 000
	Total	4 738 000

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* The first country programme for the Russian Federation was prepared before the Executive Board adopted decision 95/23 on successor programming arrangements.

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. The Russian Federation, a country with great political, economic and technological potential, is undergoing radical socio-economic reforms. The process of transition from a State-run, centrally planned economy to a market-oriented one is the major component of the current transformations, carried out simultaneously with macroeconomic adjustment measures, financial stabilization and structural reform. The Government has formulated socio-economic guidelines for the period 1995-1997. The current socio-economic situation and the national development objectives and strategies are the basis for the first country programme for Russia.

2. The challenges and difficulties posed by the transition process are enormous. Negative developments in the economy resulted in a decline of 40 per cent in the gross domestic product (GDP) in 1994 compared to 1991. Inflation remained at a very high rate of 324 per cent in 1994 and 17.8 per cent per month in January 1995. Industrial and agricultural output continued to decline, and the inflow of foreign investments has not matched expectations.

3. Russia's population is 148 million, 54 per cent of whom are women. Life expectancy stands at 60 years for males and 71.7 years for females. As a result, 70 per cent of the elderly are women. Due to a constant decline in the standard of living, Russia's actual population growth rate is negative at -7.2 per cent. Mortality rates, including the rate of child mortality, are increasing, and are higher among males of productive age. The deterioration of working and environmental conditions, coupled with smoking and nutritional imbalances, are major contributing factors.

4. The labour force is estimated at 70 million. However, women form the overwhelming majority of the high number of non-registered unemployed. The number of registered unemployed is 5.3 million, or 7.1 per cent of the active population. Approximately 50 per cent of those unemployed are women. Some 80 per cent of families have incomes below the poverty line, and 24.4 per cent of the total population are unable to meet their basic needs. In 1994, the average monthly per capita income was 203,000 roubles ($90). The income of the richest 20 per cent of the population was 16 times that of the poorest 20 per cent and the gap is widening.

5. During the present period of transition, women face particular difficulties. The main issues requiring attention are:

(a) Women's low level of participation in decision-making;

(b) Documentation, statistics and analysis regarding the effects of transition on women;

(c) Women's unemployment;

(d) Advisory services for female employees during restructuring and privatization;

(e) Day care and related services for children;

(f) Diminishing social benefits and services, which have constituted large parts of women's incomes in the past.

6. Social and economic development are also affected by inadequacies of the legal system, since the laws and norms are not always adjusted to the new economic and social conditions. This is particularly true for economic and welfare institutions and government administration at various levels. The crime situation is of great concern, requiring a substantial reinforcement of law and order.

7. The functioning of the State administration and services is often not geared towards a democratic and market economic system. As an example, fiscal control and bank supervision systems need to be upgraded to be able to play the role required by a market economy.

8. The economic crisis is also accompanied by serious imbalances in State finances. The federal budget deficit became the chief cause of inflation. During the 1993-1994 period, the budget deficit ranged from approximately 8 to 10 per cent of GDP and was financed mostly by credits of the Central Bank of Russia, i.e., by the emission of currency. The Treasury's revenues from sales and income taxes have also fallen, while welfare benefits and servicing foreign debt constitute a growing burden.

9. Most scientific and technical capabilities and infrastructure are well developed in Russia. However, the lack of appropriate management education and retraining programmes presents a major obstacle for the transition to a market economy. While choices are growing, available education and training related to the new opportunities are still inadequate in quantity and quality. Suffering from sharply reduced resources, the previous social protection systems are disappearing. Social security is limited to financial payments and subsidies for retirees, the elderly and the disabled. Available information suggests that this downward trend will continue.

B. National development objectives and strategies

10. It is necessary to underline that, overall, the national development strategies aim at attaining social stabilization. The immediate priority objectives of the Government's programme of development for 1995-1997 are to stabilize the overall economic situation, to reduce financial imbalances, to bring inflation to 15-20 per cent per year and control the budget deficit, to halt the decline in industrial and agricultural outputs, and to alleviate the deterioration of living conditions of the population.

11. The Government recognizes that a social consensus is required to sustain the transition. There is also a need for appropriate and relevant external support for efforts to adapt central, regional and local government

administrative and managerial structures, skills and capacities to the new market-oriented environment. Special attention will be given to the development of modern forms of education and training, the development of managerial skills at different levels and the promotion of market-economy principles and mechanisms. Fundamental long-term national development strategies and programmes aimed at completing the transition towards a sustainable, environmentally sound and socially-oriented market economy have been developed within the framework of the national priorities as follows: ensuring transition to a democratic political system; creating a sustainable "environment" for a market economy; modernizing enterprises; improving environmental conditions; reducing unemployment; strengthening the capacities of the administrative structures at the central and regional levels; and improving the management of human resources.

12. The strategic objectives of the Government of the Russian Federation are also oriented towards supporting the development of industrial- and agricultural-based enterprises, and assisting these enterprises in their activities both in domestic and world markets; enhancing in general the capabilities of financial institutions and services; and continuing the restructuring and privatization of State enterprises, and ultimately, their integration into the world economy. In this respect, the prime target is to counter the recession and to keep inflation as low as possible; monetary and fiscal policies will be adjusted to further stimulate investment.

13. Strategies and policies aimed at the promotion of foreign trade and investment and cooperation with multilateral trade and financial institutions and international technical cooperation agencies are being enhanced constantly.

II. EXTERNAL COOPERATION

14. In the past, the former Soviet Union had extended technical assistance to a large number of developing countries. As a result, industrial facilities, training centres and infrastructure networks were built and specialists were trained locally. The Government of the Russian Federation needs to strengthen its management capacity for providing, through the technical cooperation among developing countries (TCDC) modality, technical assistance and opportunities for other UNDP programme countries to gain access to its tremendous technical and scientific capacities.

15. The Government also considers external economic cooperation to be an important instrument in supporting national policies for socio-economic transformations. Access to the accumulated international experience helps to enhance the integration of sustainable development approaches into the systemic reforms; to establish effective mechanisms for external resources management; to improve human resource capabilities and private sector development; and to promote foreign investment.

16. Since 1992, Russia has received technical assistance through bilateral and multilateral channels, particularly through the International Monetary Fund (IMF) and the World Bank (mostly on macroeconomic issues), and now aims at strengthening technical cooperation with UNDP and other United Nations agencies,

to complement its collaboration with other bilateral and multilateral partners in this area. Furthermore, the Government also aims to strengthen capacity-building activities to support its role as an emerging donor country and a source of technical expertise.

17. Another aim of multilateral cooperation is to facilitate the dialogue between the Government and United Nations agencies, as well as with the prospective donor community, for programme development and to ensure coordination and complementarity of United Nations technical cooperation with other donor assistance.

III. THE COUNTRY PROGRAMME

A. Proposals for UNDP cooperation

1. Preparatory process

18. Since Russia obtained the status of an aid recipient in February 1992, the country has been aiming at enlarging the scope of assistance from the United Nations system. Russia has joined several UNDP regional projects, including: "Comparative Privatization Network (IEWS)", "Trade Policy and Support to Intra-CIS Trade and Trade With the Baltic States" (RER/94/002), "Support to 1996 NHDRs in CEE and CIS countries" (RER/95/009), and "Democracy, Governance and Participation" (RER/94/001). The country's participation in these regional projects has enabled a number of Russian institutions to become acquainted with international networking and exchange of experience.

19. A number of country projects for the Russian Federation were initiated with a view to providing, at the central and regional levels, external and national specialists to deliver advisory and technical services for training of human resources and for capacity- and institution-building, in support of socio-economic transformations in Russia.

20. Continuous substantive and systematic dialogue and consultations on technical cooperation strategies and priorities took place between the Government, UNDP and various United Nations agencies, including the United Nations Children's Fund (UNICEF), the International Labour Organization, the United Nations Industrial Development Organization, the United Nations Volunteer (UNV) programme, the United Nations Population Fund, the Office of the United Nations High Commissioner for Refugees and the United Nations Centre on Human Rights; other multilateral and regional institutions, including the World Bank, IMF, the European Bank for Reconstruction and Development, the Organisation for Economic Cooperation and Development, the Organization for Security and Cooperation in Europe, the European Union and the Council of Europe; and bilateral donors. Memoranda of Understanding encompassing the specific priorities and modalities for UNDP technical assistance were signed in March 1994 with relevant ministries and administrations.

21. The above-mentioned processes have facilitated the identification of thematic and sectoral areas of concentration for UNDP activities in the country, as specified below, and have ensured complementarity with national strategies

and programmes as well as with the strategies and programmes of other external partners.

22. Workshops and seminars on various economic and technical assistance issues were organized to pursue dialogue and consultation on technical cooperation strategies and priorities.

2. Strategy for UNDP cooperation

23. UNDP assistance to the Russian Federation aims at a "multiplier effect", using limited financial resources to stimulate the expansion of programme activities. Several programme/project identification and formulation missions have been undertaken by UNDP, at the request of the Russian Federation. Experts from various countries and United Nations agencies and bodies participated in those missions at their own cost. Priority areas of cooperation have been identified, taking into account UNDP policies and priorities and the various United Nations mandates related to countries in transition. Experience gained under UNDP technical assistance to the countries of Central and Eastern Europe with country programmes already under way has also been taken into account.

24. Given the tremendous transitional challenges the country faces, and in view of the limited core resources available to UNDP, assistance is considered mainly as catalytic, aimed at mobilizing, strengthening and creating, where necessary, national managerial and institutional capacities to address the current economic, social and democratic transformations. In this context, UNDP concentrates on upstream policy and technical advice and support, on a pilot basis, in highly prioritized areas of concentration, with a view to providing effective and efficient assistance to the Russian Federation in its efforts to achieve the goals of economic and social reform.

25. Support will also be provided for national management capacity-building for technical cooperation in the framework of international development cooperation in a changing economic environment.

3. Proposed UNDP cooperation in selected areas of concentration

26. Two major interrelated areas of concentration have been defined for UNDP technical cooperation:

(a) Governance, management-development capacities and market-economy institution-building;

(b) Human development, democratic institution-building and citizens' participation.

Management development and market-economy institutions

27. Regional and local management-development capacities at a decentralized level in a few selected regions and small- and medium-scale private-sector enterprises, including those in the agricultural sector, will be assisted

through the provision of policy and technical advice and the organization of round-table meetings and workshops. Projects will be carried out on a pilot basis, to ensure the effectiveness of such seed activities, with particular emphasis on replicability.

28. At the sectoral level, particular attention will be given to supporting sound governance and management development in the process of conversion of the military industrial complex, and to environmental protection management. In this context, pilot activities have been initiated in the Murmansk region, in view of their potential for replication in other selected regions.

29. At this juncture, several projects in this area of concentration are ongoing or in hard pipeline: (a) strengthening of the overall financial management capacity of the Murmansk region; (b) environmental management capacity in the Barents Sea region; and (c) transportation and environmental infrastructure planning for the city of Moscow.

Human development, democratic institution-building and citizens' participation

30. Emphasis will continue to be placed on the development and enhancement of democratic institutions and practices, human rights protection and advisory institutions; the promotion of the rule of law; the strengthening of civil society mechanisms, including community-based organizations/non-governmental organizations; and increasing citizens' participation and public awareness. In this context, pilot activities have been initiated in a number of areas, in particular, technical support in the area of human rights protection, as well as to the administrative functioning of the Parliament of the Russian Federation, with the support of other foreign partners, through provision of technical and legal advice and other mechanisms.

31. As one of the major check and balance mechanisms of any democratic system, emphasis also will be placed on policy advice, technical expertise, and training to increase financial management and auditing transparency and accountability, and to adapt regional and local auditing capacities and systems to market-economy requirements and to the ongoing public administration reform.

32. Support will be provided for the elaboration of human development and social strategies and programmes to alleviate the negative effects of the economic transition, particularly on women and the most vulnerable groups. Beginning in 1995, special attention will be given to the preparation of annual national human development reports. These reports represent an extremely useful instrument to assess, in statistical and analytical terms, the impact of the transition on people of all walks of life.

33. Among the current ongoing and hard pipeline projects are: (a) strengthening of the management capability of the staff in the Russian Parliament, both in the Duma and the Council of Federation; (b) support to democratic institutions in the field of human rights; and (c) the National Human Development Report for 1995.

B. Assistance outside the main country programme areas

34. Since the resources available under the Indicative Planning Figure (IPF) are limited, efforts will focus on the main areas of concentration of the country programme. The programme may be strengthened in such areas as environmental protection, aid coordination, investment promotion, agricultural reform, conversion of military production and regional and local economic development. A modest amount of unprogrammed IPF resources (7 per cent) has been allocated to provide flexibility for supporting new areas of cooperation, resource mobilization and programme development.

C. Implementation and monitoring arrangements

35. While the national execution modality will be pursued in most of the projects, the technical expertise of relevant United Nations agencies and bodies will be drawn upon as much as possible. The expertise and training facilities of other foreign partners will also continue to be used when offered, as noted above. Counterpart and third-party contributions, including under cost-sharing arrangements, and contributions in kind, will be secured as much as possible, including for local costs involved under UNDP activities.

36. A UNDP Programme Management Unit (PMU), which provides administrative and logistical support to the UNDP programmes and projects, has been operational since May 1995. The PMU will also concentrate on support to the national execution of UNDP programmes.

37. Full use will continue to be made of the vast potential of national expertise within the Russian Federation to meet the objectives for the first country programme. Innovative use will be made of the facilities within the United Nations system which would help to deliver advisory services in priority areas, including Transfer of Knowledge through Expatriate Nationals, United Nations Short-term Advisory Resources and the UNV programme.

IV. EXECUTIVE BOARD ACTION

38. The Administrator recommends that the Executive Board:

Approve the first country programme for the Russian Federation.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	$	$
Fifth cycle IPF	2 238 000	
Subtotal IPF		2 238 000
Government cost-sharing	500 000	
Third-party cost-sharing a/	2 000 000	
Subtotal cost-sharing		2 500 000
TOTAL		4 738 000

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	Thousands of United States dollars			Percentage of total resources
	IPF	Cost-sharing	Total	
Transition towards market economy	895	1 000.0	1 895	40
Democratic institutions	1 119	1 500.0	2 619	55
Unprogrammed reserve	224		224	4
TOTAL	2 238	2 500.0	4 738	100

a/ Estimated third-party cost-sharing expected from OECD countries and other sources.

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

	$
A. UNDP-administered funds	
SPR	-
UNCDF	-
UNSO	-
UNIFEM	-
UNRFNRE	-
UNFSTD	-
B. Other United Nations resources	
JCGP participating agencies	
UNFPA	-
UNICEF	-
WFP	-
IFAD	-
Other United Nations agencies (non-UNDP financed)	-
Global Environment Facility	-
C. Non-United Nations resources	-
TOTAL	-

Note: Resources from other UNDP-managed funds, such as Capacity 21, GEF and TCDC, are actively sought to complement the objectives of the first country programme. Project proposals are currently under formulation or review for this purpose.

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus a/					
	Poverty eradication and grass-roots participation in development	Environment and natural resources management	Management development	TCDC	Transfer and adaptation of technology for development	Women in Development
Governance, management-development capacities and market-economy institution-building		*	*	*		*
Human development, democratic institution-building and citizens' participation	*		*	*	*	*

a/ Asterisks indicate major linkages only.